

SECTION I: SUMMARY OF WORK FORCE RESTRUCTURING

I.0 Background

The onset of the Cold War between the United States and the Soviet Union after World War II led to the buildup of an elaborate network of research, production, and testing facilities known as the nuclear weapons complex. During its half-century of operations, this network expanded to 20 major facilities covering 2.3 million acres of land with 120 million square feet of buildings. To meet nuclear weapons production requirements and other national security obligations, the Department of Energy (DOE) and its predecessor agencies assembled an extensive contractor work force. The breakup of the Soviet Union in 1991, together with President George H.W. Bush's announcement of the first unilateral nuclear weapons reduction agreement on September 27 of that year, signaled the end of the Cold War and dramatically reduced the need for further nuclear weapons production.

The end of the Cold War also brought about fundamental changes in contractor work force requirements as the Department shifted from weapons production to other missions such as environmental management, weapons dismantlement, industrial competitiveness, and science and technology research. Between 1988 and the end of 1992, DOE's contractor work force expanded by nearly 22,000 to a total of 148,686. These new employees were in addition to the existing weapons production work force. In 1993, faced with significant budget reductions and overstaffing problems, the Department began to restructure its work force.

During President George H.W. Bush's Administration, Secretary of Energy James Watkins issued Department of Energy Order 3309.1A¹ establishing specific objectives to ensure fairness while reducing the contractor work force, including programs to minimize layoffs. In passing section 3161 of the National Defense Authorization Act for Fiscal Year 1993,² the Congress mandated an explicit planning process involving affected stakeholders for all work force changes at defense nuclear facilities, and directed that the plans be guided by a fundamental objective: to mitigate the impacts on workers and communities, especially those whose service had helped maintain our nuclear deterrent force during the Cold War.

Section 3161 requires the Secretary of Energy to develop a plan for restructuring the work force for a defense nuclear facility whenever there is a determination that a change in the work force is necessary. This section also identifies objectives that each plan should address, including minimizing social and economic impacts; giving workers adequate notice of impending changes; minimizing involuntary separations; offering preference-in-hiring to the extent practicable to those employees involuntarily separated; providing relocation assistance under certain

¹ This Order has been incorporated into Department of Energy Order 350.1, Chapter 3.

² Public Law 102-484.

conditions; providing retraining, as well as educational and outplacement assistance; and providing local impact assistance to affected communities.

Work force restructuring at Departmental facilities has resulted from: (1) a transition to a fundamentally new mission at former defense nuclear production facilities, (2) dramatic changes in funding levels for environmental management activities, and (3) improved efficiency in the way DOE's contractors conduct their assignments.

In response to the challenges posed by changing missions, and consistent with Departmental policy to apply the work force restructuring process at all sites undergoing significant work force changes, the Secretary of Energy established a Task Force on Worker and Community Transition on April 21, 1993. The primary function of the Task Force was to coordinate adjustment assistance consistent with section 3161. The Task Force was replaced by the Office of Worker and Community Transition (WT) on September 15, 1994, and was assigned responsibility for reviewing and evaluating work force restructuring plans from all sites and overseeing the implementation of work force restructuring consistent with these plans and Departmental policy and guidance. In cooperation with affected field organizations, WT has emphasized retention of workers with skills critical to ongoing or changing site missions and has established separation incentives concordant with this objective.

In FY 1998, WT was tasked with funding any enhanced benefits provided by the Department resulting from work force restructuring activities at DOE contractor sites. Section 304 of the Energy and Water Development Appropriations Act for Fiscal Year 1998 (and succeeding years) provides that none of the funds appropriated by the Act or any prior appropriations act may be used to augment funds provided to WT for severance payments or other benefits and community assistance grants under section 3161 of the National Defense Authorization Act for Fiscal Year 1993. Previously, these costs were reimbursed by operating program accounts at sites not primarily funded through the Defense Program Account.

Since 1993, WT has issued five versions of general guidance to field organizations tasked with drafting work force restructuring plans. This guidance addresses the need for plans to meet the objectives of section 3161 and offers guidelines for preparing and structuring these plans. In FY 1998, WT established a streamlined planning and approval process for work force restructuring activities. A copy of the current guidance is included in this report as Appendix A.

I.1 Fiscal Year 2000 Work Force Restructuring Activity

Office of Worker and Community Transition

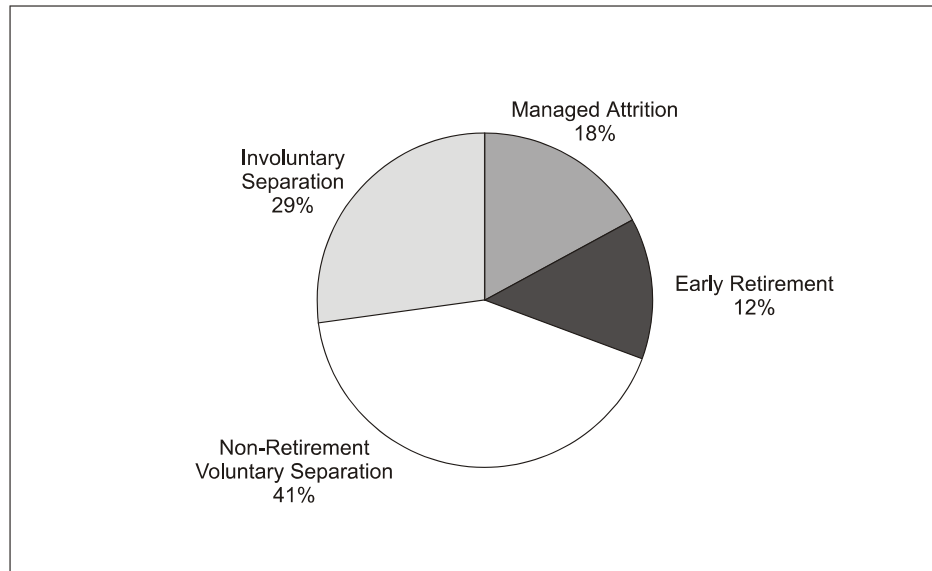
Separations - Fiscal Year 2000. There were 2,666 prime contractor employees separated from the Department in FY 2000 (Exhibit I.1).

	DEFENSE AND NON-DEFENSE SITES	FY 2000				
		Workers	Enhanced Costs	Program Costs	Total Costs	Total Cost/Recip.
1.0	Positions Reduced Voluntarily	1,879	\$10,477,203	\$34,845,851	\$45,323,054	\$24,121
1.1	Early Retirement	315	\$0	\$15,732,185	\$15,732,185	\$49,943
1.2	Non-Retirement Voluntary Separations (Severance Only)	1,091	\$10,477,203	\$19,113,666	\$29,590,869	\$27,123
1.3	Net Positions Reduced Through Attrition	473	\$0	\$0	\$0	\$0
2.0	Involuntary Separations (Severance Only)	787	\$52,211	\$6,385,195	\$6,437,406	\$8,180
2.1	With Benefits	489	\$52,211	\$6,385,195	\$6,437,406	\$13,164
2.1.1	Non-Construction Workers	477	\$10,031	\$6,373,014	\$6,383,045	\$13,382
2.1.2	Construction Workers	12	\$42,180	\$12,181	\$54,361	\$4,530
2.2	Without Benefits	298	\$0	\$0	\$0	\$0
	Work Force Restructuring Separations and Costs -- Lines 1.0+2.0	2,666	\$10,529,414	\$41,231,046	\$51,760,460	\$19,415
3.0	Remaining Affected Workers		\$0	\$171,831	\$171,831	
3.1	Workers Placed Without Retraining	817	\$0	\$0	\$0	\$0
3.2	Workers Internally Placed Through Retraining	145	\$0	\$171,831	\$171,831	\$1,185
3.3	Transfers to Other Sites	619	\$0	\$0	\$0	\$0
4.0	Other Benefits Provided		\$1,693,226	\$2,319,045	\$4,012,271	
4.1	Displaced Worker Medical Benefits	603	\$0	\$1,509,847	\$1,509,847	\$2,504
4.2	Relocation Assistance	6	\$20,077	\$2,400	\$22,477	\$3,746
4.3	Separating or Separated Workers Using Outplacement	2,002	\$707,886	\$659,071	\$1,366,957	\$683
4.4	Education Assistance for Separated Workers	524	\$965,263	\$147,727	\$1,112,990	\$2,124
5.0	TOTAL COSTS FOR FISCAL YEAR 2000	n/a	\$12,222,640	\$43,721,922	\$55,944,562	n/a
6.0	WORK FORCE RESTRUCTURING SEPARATIONS (Average Costs) ¹	2,666	n/a	n/a	n/a	\$21,504
7.0	NON-RETIREMENT VOLUNTARY SEPARATIONS (All Benefits) ¹	1,091	n/a	n/a	n/a	\$30,648
8.0	INVOLUNTARY SEPARATIONS (All Benefits) ¹	489	n/a	n/a	n/a	\$16,689
9.0	Other Separations	425	\$0	\$102,739	\$102,739	\$242
9.1	Voluntarily Separated	401	\$0	\$81,423	\$81,423	\$203
9.2	Involuntarily Separated	24	\$0	\$21,316	\$21,316	\$888

¹ Includes historical average cost of other benefits per recipient.

Exhibit I.1 Work Force Restructuring Summary for All Sites (Defense and Non-Defense)

Seventy-one percent of the separations were voluntary, while 29 percent of all separations were involuntary (Exhibit I.2).



**Exhibit I.2 Prime Contractor Separations for FY 2000
(Defense and Non-Defense)**

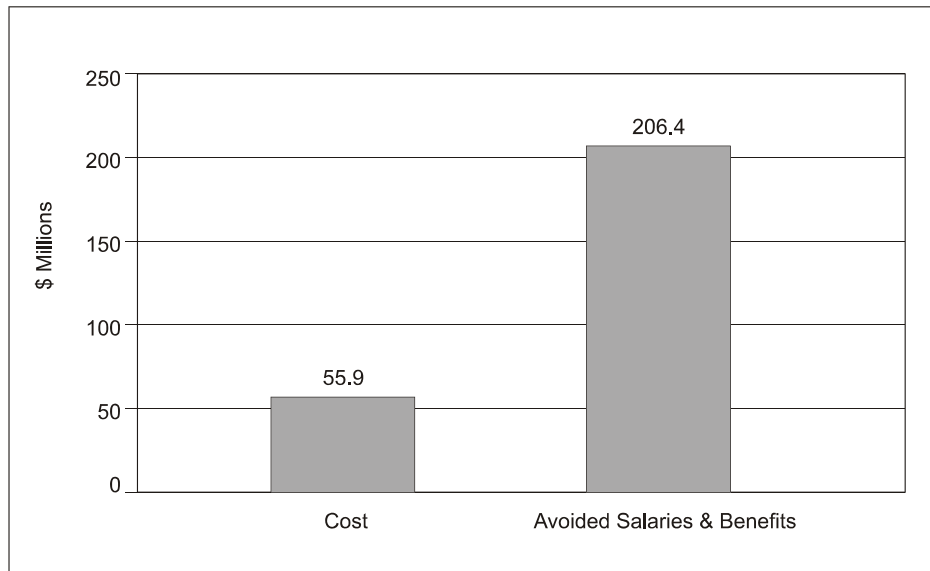
Cost - Fiscal Year 2000. The total cost incurred for separations that occurred during FY 2000 and other benefits provided was slightly more than \$55.9 million, and the estimated fully-burdened cost per separation was \$21,504 (Exhibit I.1).³ Severance costs for early retirement averaged \$49,943 per recipient. Non-retirement voluntary separations averaged \$27,123 for severance and \$30,648 with other benefits included. The average severance cost for involuntary separations with benefits was \$13,164, with a fully-burdened cost of \$16,689 with benefits.

Enhanced Benefits. To comply with section 304 of the Energy and Water Appropriations Act for Fiscal Year 2000, separation costs have been broken out by enhanced benefits, which have been paid by WT, and program benefits, which have been paid by the responsible program office. For the most part, enhanced benefits include relocation assistance, educational assistance, outplacement assistance, and enhanced severance pay. Contract severance pay and displaced worker medical benefits are typically covered by the program offices. The cost of outplacement assistance may be considered a program cost if outplacement has been part of an ongoing corporate benefit.

³ A fully-burdened cost per voluntary or involuntary separation is calculated by taking the average severance/incentive cost and adding a per capita historical average cost for other benefits of \$3,525. The fully-burdened cost for all separations uses a prorated historical average based on the ratio of separated workers eligible for benefits.

Of the \$55.9 million total separation costs, slightly more than \$12.2 million involved enhanced benefit costs funded by WT. The remaining \$43.7 million were funded by the various responsible program offices (Exhibit I.1).

Cost Savings - Fiscal Year 2000. The annual cost savings associated with the 2,666 contractor employees separated in FY 2000 are \$206.4 million⁴ versus a one-time cost of \$55.9 million (Exhibit I.3).



**Exhibit I.3 Annual Cost and Savings for FY 2000
(Defense and Non-Defense)**

I.2 Changing Separation Patterns

Fiscal Year 1992 - Fiscal Year 2000. The Department-wide prime contractor work force has decreased by 47,830 employees since the FY 1992 peak of 148,686. Work force restructuring plans coupled with mission changes, contract reforms, and budget cuts helped reduce the number of employees to 100,856 by the end of FY 2000 (Exhibit I.4). This reduction in contractor employment of 32 percent since FY 1992 is consistent with the objectives of section 3161.

⁴ Total annual employee compensation averaged \$77,405 for salary and benefits, based on historical data compiled by the Department's Office of Procurement Assistance and adjusted for inflation.

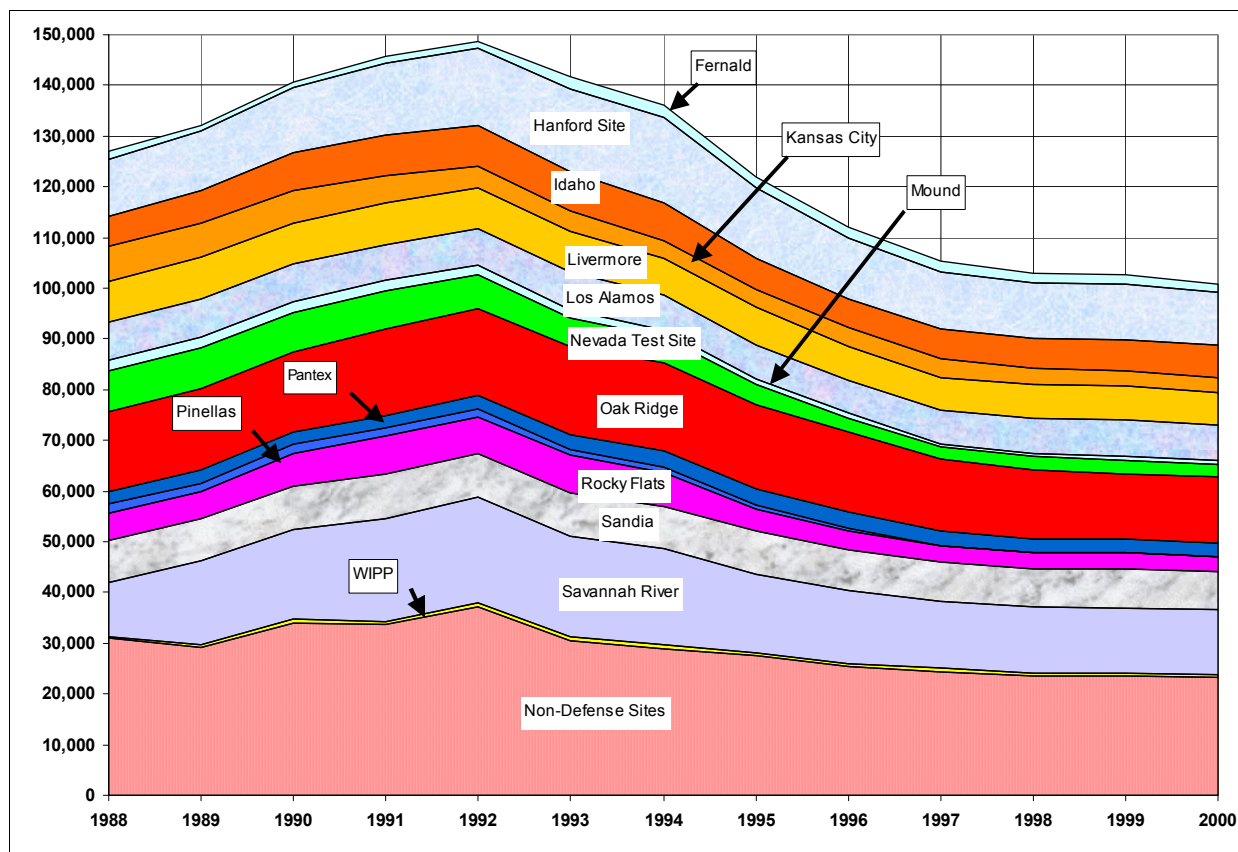


Exhibit I.4 Prime Contractor Team Employment, Fiscal Years 1988-2000

WT has compiled prime contractor team employment figures at defense nuclear sites for the end of FY 2000 (Exhibit I.5). These figures were developed in close consultation with, and with the concurrence of, the relevant field organizations. In order to present an accurate picture of overall contractor employment trends, they include all employees who are involved in the scope of work that has historically been performed by management and operating contractors, even if the contracting mechanism under which they are employed has changed.

Office of Worker and Community Transition

SITE	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Fernald	1,509	1,122	1,128	1,203	1,489	2,412	2,385	2,203	1,986	1,989	1,977	1,907	1,754
Hanford Site ¹	11,449	11,683	12,730	14,127	15,107	16,062	16,952	13,757	12,099	11,330	10,984	10,908	10,410
Idaho	5,773	6,510	7,548	7,988	7,901	7,810	7,524	6,084	5,739	5,868	5,743	6,057	6,244
Kansas City	6,946	6,829	6,414	5,497	4,489	4,170	3,289	3,563	3,661	3,679	3,256	3,106	2,979
Livermore	8,007	8,042	8,042	8,158	7,981	8,014	7,321	7,372	6,688	6,403	6,608	6,668	6,488
Los Alamos	7,442	7,667	7,402	6,992	7,203	7,293	7,024	6,708	6,439	6,687	7,009	7,279	7,019
Mound	2,219	2,150	2,149	2,150	1,741	1,713	1,337	1,122	924	740	708	729	715
Nevada Test Site	8,035	7,996	7,713	7,390	6,670	5,548	5,068	3,940	2,765	2,345	2,515	2,622	2,501
Oak Ridge ²	15,651	15,965	15,934	17,200	17,257	17,437	17,215	16,580	15,815	14,046	13,573	12,831	12,952
Pantex	2,627	2,573	2,390	2,492	2,673	3,020	3,230	3,348	3,327	2,920	2,856	2,840	2,764
Pinellas	1,710	1,698	1,667	1,618	1,569	1,100	1,007	669	538	5	0	0	0
Rocky Flats	5,275	5,312	6,415	7,521	7,302	7,505	6,698	4,418	3,535	3,410	3,166	3,138	3,014
Sandia	8,372	8,432	8,705	8,804	8,473	8,477	8,458	8,527	8,057	7,576	7,501	7,657	7,461
Savannah River	10,629	16,403	17,663	20,185	20,979	19,788	18,922	15,430	14,379	13,231	13,082	12,918	12,740
WIPP	375	506	603	714	775	799	735	640	636	636	613	625	666
SUBTOTAL	96,019	102,888	106,503	112,039	111,609	111,148	107,165	94,361	86,588	80,865	79,591	79,285	77,707
Other Sites	31,012	29,277	34,086	33,574	37,077	30,436	28,932	27,500	25,401	24,432	23,420	23,398	23,149
GRAND TOTAL	127,031	132,165	140,589	145,613	148,686	141,584	136,097	121,861	111,989	105,297	103,011	102,683	100,856

¹ Enterprise companies excluded from FY 2000 employment count.
² Bechtel Jacobs subcontractors included in FY 2000 employment count.

**Exhibit I.5 Department of Energy Management Contractor Team Employment
at Selected Sites, Fiscal Years 1988-2000**

Since FY 1993, voluntary separations, including early retirement and non-retirement voluntary separations as well as managed attrition, have accounted for 71 percent of all separations. The remaining 29 percent have been involuntary (Exhibit I.6).

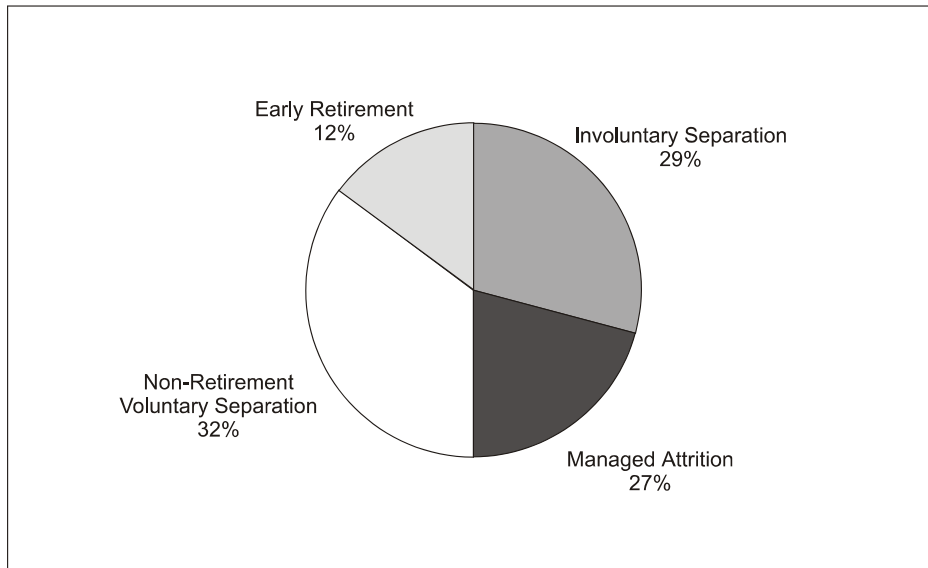


Exhibit I.6 Prime Contractor Separations, Fiscal Years 1993-2000

Fiscal Year 1993 - Fiscal Year 1994. In FY 1993, as the Department began work force restructuring, voluntary separations were the preferred method of prime contractor work force reductions. During FY 1993 and FY 1994, voluntary separations accounted for over 80 percent of the total separations. More than half of all voluntary separations occurred through non-retirement incentives, followed by early retirement and attrition. Less than 20 percent of the remaining separations were involuntary. Work force restructuring at the Department's defense nuclear sites in FY 1993 and FY 1994 totaled approximately 5,800 separations, while total positions reduced at these sites—taking into account new hires and rehires—numbered 4,444. See *U.S. Department of Energy Report on Work Force Restructuring Plans Completed During Fiscal Years 1993 and 1994*, February 1996, for further information.

Fiscal Year 1995. Nearly 18,800 prime contractor workers were separated from the Department in FY 1995. Even though the number of separations tripled, the percentages of voluntary and involuntary separations in FY 1995 remained consistent with FY 1993 and FY 1994 activity. Voluntary separations dominated FY 1995 figures, representing 80 percent of the total separations. The remaining 20 percent were involuntary. Within the cohort of voluntary separations, the percentages of early retirements and other incentivized separations declined, while attrition expanded. Taking into account new hires and rehires, there were 14,236 positions reduced in FY 1995. See *U.S. Department of Energy Annual Report on Contractor Work Force Restructuring, Fiscal Years 1995 and 1996*, January 1997, for further information.

Fiscal Year 1996. More than 11,700 prime contractor workers were separated from the Department in FY 1996, a 37 percent reduction from FY 1995. Voluntary separations still outnumbered involuntary ones, representing 71 percent of all separations. Involuntary separations expanded to 29 percent. Taking new hires and rehires into account, there were 9,872 positions reduced in FY 1996. See *U.S. Department of Energy Annual Report on Contractor Work Force Restructuring, Fiscal Years 1995 and 1996*, January 1997, for further information.

Fiscal Year 1997. There were 7,000 prime contractor workers separated from the Department in FY 1997, about a 40 percent reduction from FY 1996. Voluntary separations decreased to just over half (56 percent) of all separations. Involuntary separations grew to 44 percent. Taking new hires and rehires into account, there were 6,692 positions reduced in FY 1997. See *U.S. Department of Energy Annual Report on Contractor Work Force Restructuring, Fiscal Year 1997*, March 1998, for further information.

Fiscal Year 1998. There were 3,028 prime contractor employees separated from the Department in FY 1998, a 57 percent decrease in separations from FY 1997. Less than half of the separations were voluntary (45 percent), while 55 percent were involuntary. Taking new hires and rehires into account, there were 2,286 positions reduced (revised from that shown in earlier report) in FY 1998. See *U.S. Department of Energy Annual Report on Contractor Work Force Restructuring, Fiscal Year 1998*, March 1999, for further information.

Fiscal Year 1999. There were 1,840 prime contractor employees separated from the Department in FY 1999, a 39 percent decrease in separations from FY 1998. Just over half of the separations (56 percent) were voluntary, while 44 percent of all separations were involuntary. Taking into account new hires and rehires, there were 328 positions reduced in FY 1999. See *U.S.*

Department of Energy Annual Report on Contractor Work Force Restructuring, Fiscal Year 1999, May 2000, for further information.

Fiscal Year 2000. There were 2,666 prime contractor employees separated from the Department in FY 2000, a 45 percent increase in separations from FY 1999. Seventy-one percent of the separations were voluntary, while 29 percent were involuntary. Taking into account new hires and rehires, there were 1,827 positions reduced in FY 2000.

Trend Analysis. Comparisons of work force restructuring activities from FY 1993 through FY 2000 show a trend toward fewer incentivized separations (Exhibit I.7). From FY 1993/1994 to FY 1998, early retirement steadily decreased from 30 percent to 2 percent of all separations in FY 1998 as the number of older, eligible individuals in the work force decreased. However, in FY 1999 and FY 2000, early retirement separations started to increase again, to 7 percent of the total separations in FY 1999 and 12 percent in FY 2000. Non-retirement voluntary separations also increased to over 40 percent of total separations in FY 2000, the same level as that seen in FY 1993/1994. In FY 1995 and 1996, there was a trend towards separations through managed attrition (i.e., over 35 percent); however from FY 1997 to FY 2000, the percentage of overall positions reduced through attrition decreased due to the subsequent re-hiring necessary to ensure that critical skills were maintained at the sites. In FY 2000, the percentage associated with managed attrition was 18 percent. Involuntary separations steadily increased from just under 20 percent in FY 1993/1994 to 55 percent in FY 1998. However, over the past 2 years involuntary separations have decreased to 44 percent in FY 1999 and 29 percent in FY 2000.

Major single-action work force restructuring activities due to budget constraints are occurring less frequently than in prior years. Incremental work force changes made as part of ongoing business decisions are becoming more common. These changes often relate to efficiency of operation, including changes in contracting mechanisms.

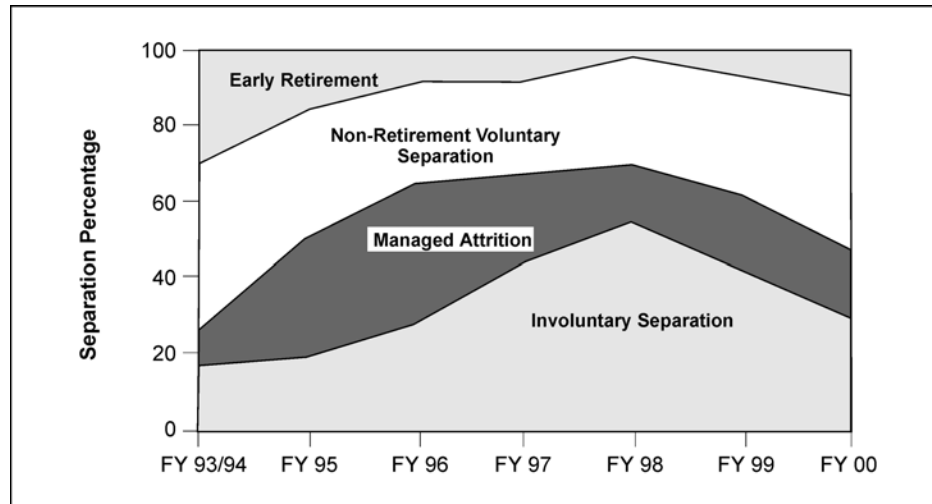


Exhibit I.7 Changing Separations Patterns

I.3 Cost Savings and Separation Costs⁵

The purpose of work force restructuring is to increase the cost-effectiveness and efficiency of DOE-wide site operations by matching skilled employees with mission requirements. To achieve this result, prime contractors must separate or retrain workers whose skills no longer match mission needs. Sites employ a variety of means to minimize the economic and social impacts of voluntary and involuntary separations. These include enhanced severance for non-retirement voluntary separations, early retirement incentives, tuition assistance, medical benefit extensions, and outplacement services. The costs associated with providing these benefits are offset by savings realized from restructuring the work force.

Annual Cost Savings. Annual cost savings associated with work force reductions are based on the cost savings realized by the Department when current compensation costs are compared with the cost that would have been incurred if prime contractor employment remained at the peak level (148,686) reported in FY 1992.

The average compensation cost includes salary and benefits; in FY 1993, it was estimated at \$61,000 per contractor employee. To accurately reflect compensation costs through FY 2000, this figure has been inflated to reflect the average change in wages and benefits over that time

⁵ Costs for early retirement are actuarial costs that include all costs associated with retirement payments to separated workers. In most recent cases these costs have been accommodated from available retirement account assets and have not required contributions from appropriated funds. Costs for other incentivized voluntary separations include normal severance costs plus enhanced severance, but do not include normal salaries paid during any period after notice of separation. Separation costs do not include unemployment compensation, either payments made directly to employees or additional unemployment compensation taxes assessed against the employer.

frame. Thus, it is estimated that the average FY 2000 compensation cost would be \$77,405 per employee. As a result, the 50,000-plus separations since FY 1993 reflect a potential annual cost savings of prime contractor employee salaries of over \$3.9 billion (in today's dollars). It should be noted, however, that these savings were generally redirected to subcontracts and project expenses.

Comparison of Benefits at Defense and Non-Defense Sites. Work force restructuring at sites not covered by section 3161 is conducted in a manner consistent with long-standing Departmental policy and Secretarial guidance to the effect that objectives of the legislation be applied wherever work force restructuring occurs. Best business practices are used as a benchmark in developing restructuring strategies at these sites.

During FY 2000, non-defense sites separated 173 workers. There were 119 voluntary and 54 involuntary separations. The overall cost per separation at non-defense sites (\$7,158) was lower than at defense sites (\$22,500). The higher cost of separations at defense sites is due to a higher percentage of early retirement and non-retirement voluntary separations. While section 3161 provides a structured and open process for work force restructuring, the strategies undertaken to implement the legislation are not fundamentally different at sites where the legislation does not apply.

External Benchmarking of Benefits Provided. Work force restructuring, particularly when it involves large numbers of employees, is subject to complex legal considerations, including the need to protect against discrimination based on age, sex, race, or other factors and requirements of collective-bargaining agreements. When reductions-in-force are governed by strict seniority rules, an employer's ability to retain particular employees with critical skills can also be limited. Further, worker concerns about work force changes often severely decrease the productivity of the remaining workers.

In establishing general work force reduction strategies, the Department has reviewed private companies' work force restructuring strategies involving enhanced benefits. The vast majority of large companies in the United States provide severance payments to workers who are involuntarily separated. Many also provide medical benefits, assistance in finding a new job, counseling, and training. These benefits are often part of an employment contract (implied or written) or a collective-bargaining agreement.

In March 1995, the General Accounting Office (GAO) surveyed 25 major companies, including firms with considerable federal contracting, such as General Motors, General Electric, Grumman, and Honeywell. GAO found that 72 percent of these companies "provided various incentives to encourage employees to voluntarily leave." For defense contractors, such as Grumman or Honeywell, DOD negotiated with the company to determine whether enhanced separation costs would be allowed.

A survey conducted by Actuarial Services Associates, Inc., (ASA)⁶ of downsizing practices of 60 major companies in the mid-1990s confirms that “it is common for employers that wish to downsize first to offer either an exit incentive retirement or resignation program (or sometimes both sequentially), and then to utilize layoffs to the extent downsizing is still needed. This, indeed is *the* classic exit incentive strategy, and it is probably motivated more by the desire to be humane and to preserve employee morale.” ASA found that many of these firms would encourage early retirement by allowing an employee to add up to 5 years in age and service for purposes of calculating pension benefits.

Based on a review of this information, the benefits, *both in kind and amount*, typically offered by the Department’s contractors to separated employees are consistent with those offered across industries in the private sector. For example, the most common form of enhanced severance payment across the Department has been “lump sum” payments, typically based on 1.5 to 2 weeks pay for each year of service, a practice consistent with that of the private sector. The Department also meets private sector norms on many of the other benefits provided to displaced workers, including medical benefits, relocation, tuition assistance, and outplacement.

Exhibit I.8 presents selected findings of recent studies performed by nationally-recognized experts on work force restructuring issues and highlights related Department-activities.

External Benchmarking of Costs. Work force reductions inevitably involve initial costs in order to achieve long-term savings in prime contractor salary costs. While DOE provides the same type of separation benefits as those offered across industries in the private sector, the average separation cost for DOE contractor employees is below private sector standards. As part of an independent assessment of WT, Booz-Allen & Hamilton, Inc., conducted a survey of large U.S. companies to gather information on the cost of private sector work force restructuring.⁷ Voluntary separation costs for eight companies ranged from \$40,000 to \$70,000, with an average program costing more than \$60,000 per employee. The average separation cost for DOE contractor employees was considerably lower.

⁶ Survey summarized in *Downsizing: Law and Practice*, Ethan Lipsig (1996). The ASA survey studied the downsizing of approximately 60 entities in both the public and private sectors.

⁷ *Study of the Effects of the Department of Energy’s Work Force Restructuring and Community Transition Plans and Programs*, September 30, 1998, An Independent Assessment Performed by Booz-Allen & Hamilton, Inc.

Office of Worker and Community Transition

Surveys ⁸			
Issue	LHH	GAO	DOE Contractors
Restructuring Strategy	**	Redeployment and retraining first, then monetary incentives to encourage resignation or retirement.	Retraining, redeployment, early retirement, and voluntary separations offered in most initial restructuring.
Severance Policy	Over 80 percent have a severance policy.	**	Most prime contractors have severance policy.
Severance Form	Lump sum cash payments most common.	Lump sum cash payments most common.	Lump sum cash payments most common.
Severance Basis	Over 80 percent with a severance policy, based on years of service.	Based on years of service typically.	Over 90 percent have severance based on years of service.
Severance Amount	One week of pay per year of service most common.	One or 2 weeks of pay per year of service.	Over 80 percent 1 week per year of service.
Severance Enhancement	Over 40 percent enhanced severance, usually as a result of downsizing.	Many offered enhancements more generous than federal 'buyout' package.	Around 45 percent of positions reduced since FY 1993 had enhanced severance or early retirement.
Medical Benefits	Over 65 percent offer medical benefits during severance period.	Some paid insurance benefits (less common than enhancements).	Provide medical benefits for those not covered elsewhere with costs to participant that increase over time.
Other Benefits	Most supply outplacement, tuition, and other assistance.	Many provided outplacement services, limited other benefits.	Most provide outplacement, training, and relocation benefits.
Benefits Projection	Few expect significant change in next 3 years.	Packages tend to be less generous over time.	Packages tend to be less generous over time.
**This feature not included (or reported) in the survey.			

Exhibit I.8 Comparison of Private Sector and Department of Energy Restructuring Practices

⁸ Surveys summarized in *Downsizing: Law and Practice*, Ethan Lipsig (1996). The Lee Hecht Harrison (LHH) survey studied severance policy issues associated with eligibility, calculations, and other considerations based on 3,000 responses from human resources personnel; and the GAO study focused on downsizing strategies in selected public (states) and private-sector organizations.

The FY 2000 average separation cost for DOE contractor employees was \$21,504. Also, the Department's overall goal of approximately \$25,000 per separation is consistent with the federal buy-out packages approved by Congress.

Separation Costs - Fiscal Years 1993 through 2000. The total cost of the work force restructuring plans from FY 1993 to FY 2000 (just over \$925 million), averaged over the 50,000-plus affected workers, was about \$18,000 per employee.⁹ For further information see the Department's *Report on Work Force Restructuring Plans Completed During Fiscal Years 1993 and 1994*, issued in February 1996; *U.S. Department of Energy Annual Report on Contractor Work Force Restructuring Fiscal Years 1995 and 1996*, issued in January 1997; *U.S. Department of Energy Annual Report on Contractor Work Force Restructuring Fiscal Year 1997*, issued in March 1998; the *U.S. Department of Energy Annual Report on Contractor Work Force Restructuring Fiscal Year 1998*, issued in March 1999; and the *U.S. Department of Energy Annual Report on Contractor Work Force Restructuring Fiscal Year 1999*, issued in May 2000.

Cost Comparisons. The average cost per worker initially declined after FY 1993 and FY 1994, when the overall average separation cost was about \$20,600 (Exhibit I.9), and then rose in FY 2000. In FY 1995, the average separation cost dropped to \$16,700 per worker and, in FY 1996, to about \$13,900. The average cost increased in FY 1997 to \$16,800 per separation. In FY 1998, the average fully-burdened separation cost decreased to \$15,700. In FY 1999, the average cost increased slightly to \$16,700 due to higher severance costs at several national laboratories. In FY 2000, it increased to \$21,500 due to the increased percentage of voluntary separations and the high level of participation from employees with considerable seniority. These figures represent an average fully-burdened cost of all separations, including those involving attrition and those of workers who were not eligible for enhanced benefits.

Type of Separation	FY93/94	FY95	FY96	FY97	FY98	FY99	FY00
Early Retirement	\$42,200	\$46,500	\$39,600	\$47,100	\$49,300	\$45,600	\$49,900
Non-Retirement Voluntary Separation	\$18,200	\$19,900	\$23,800	\$27,000	\$23,100	\$27,100	\$27,100
Involuntary Separation	\$10,100	\$15,900	\$10,800	\$11,500	\$14,700	\$15,200	\$13,200
All Separations	\$20,600	\$16,700	\$13,900	\$16,800	\$15,700	\$16,700	\$21,500

Exhibit I.9 Average Cost of Work Force Restructuring (Rounded)

⁹ Total separations and costs include 473 early retirement separations totaling \$25 million. These separations occurred between the FY 1993/1994 and the FY 1995/1996 annual reports and were never counted in the total separations or total costs.

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Early retirement costs have fluctuated from FY 1993 and FY 1994 through FY 2000. Per capita early retirement costs averaged over \$42,200 in FY 1993 and FY 1994; \$46,500 for FY 1995; and \$39,600 for FY 1996. In FY 1997, these costs increased to \$47,100 which, in large part, was the result of the Pinellas Plant incurring higher early retirement costs relating to plant closure provisions agreed to in 1957. In FY 1998, early retirement costs increased again to \$49,300. This was due to one non-defense site that had six early retirements with significantly higher than average incentive costs. In FY 1999, the average cost of early retirement decreased to \$45,600. However in FY 2000, the average cost of early retirements again increased to \$49,900 due to the compensation mix of participants.

The average costs of non-retirement voluntary separations have fluctuated over the same period, rising from \$18,200 in FY 1993 and FY 1994 to \$19,900 in FY 1995; \$23,800 in FY 1996; and \$27,000 in FY 1997. This was followed by a decrease to \$23,100 in FY 1998, and subsequently an increase to \$27,100 in FY 1999. In FY 2000, the average cost remained at \$27,100.

The severance costs of involuntary separations have also not followed a consistent pattern. The average severance cost of involuntary separations was \$10,100 in FY 1993 and FY 1994; \$15,900 in FY 1995; \$10,800 in FY 1996; \$11,500 in FY 1997; \$14,700 in FY 1998; and \$15,200 in FY 1999. In FY 2000, the average severance cost of involuntary separations fell to \$13,200. These fluctuations reflect differences in the compensation levels and seniority of involuntarily separated workers. The average severance cost does not include ancillary benefits or unemployment insurance received by those who were involuntarily separated.

Cost of Other Benefits. In addition to voluntary incentive payments and severance costs, separated workers may be eligible for other benefits, including displaced worker medical benefits, relocation assistance, outplacement assistance, and educational assistance. These benefits are typically available for several years, so the cost incurred in the year of separation is only part of their total cost. WT began tracking the cost of other benefits in FY 1993. Cost comparisons among these ancillary benefits have been relatively stable, with variations reflecting the particular characteristics of the impacted work force (Exhibit I.10).

Type of Other Benefits	FY93/94	FY95	FY96	FY97	FY98	FY99	FY00
Medical Benefits	\$4,800	\$1,800	\$2,000	\$2,400	\$3,000	\$1,900	\$2,500
Relocation Assistance	\$1,600	\$2,700	\$2,300	\$2,300	\$1,700	\$3,000	\$3,700
Outplacement Assistance	not calculated	\$400	\$1,000	\$700	\$600	\$500	\$700
Education Assistance	\$2,200	\$2,200	\$1,900	\$2,300	\$1,700	\$1,400	\$2,100

Exhibit I.10 Average Cost of Other Benefits Per Recipient (Rounded)

I.4 Program Assessment

Section 3153 of the National Defense Authorization Act for Fiscal Year 1998 required an independent analysis of WT. Booz-Allen & Hamilton, Inc., conducted that analysis and, in September 1998, issued its report, entitled *Study of the Effects of the Department of Energy's Work Force Restructuring and Community Transition Plans and Programs*. The overall conclusion is as follows:

The section 3161 Program, as administered by WT, has had a positive impact on mitigating the social and economic impacts of the DOE transition by helping to develop and create more than 22,000 jobs, providing a foundation for community economic development, and providing leadership for site closure.

Various aspects of the Worker and Community Transition Program were evaluated, and results are summarized below.

Comparison of Benefits. To evaluate the effectiveness and fairness of DOE's work force restructuring program, the study compared the type and cost of benefits provided by DOE with benefits provided by DOD contractors and private industry going through similar restructuring. The results of the evaluation support the external benchmarking conducted by WT and reflected in the *External Benchmarking* section of this report. Not only do DOE contractors offer the same type of benefits as DOD contractors and private industry, but they provide these benefits at a lower average cost per individual. The study concluded that the average separation cost of \$18,393 per person incurred by DOE from FY 1993 to FY 1997 compares favorably with work force restructuring costs paid by DOD of \$21,143, and is much lower than the private sector costs, which ranged from \$40,000 to \$70,000, with an average cost of \$60,000 per employee.

Jobs Created. The external assessment yielded an estimate that the jobs created by the Department's community transition program from FY 1993 through FY 1997 totaled 11,503. These jobs were created in communities where the total defense nuclear production work force fell by over 42,000 positions. The Department has not developed estimates of the number of jobs resulting from worker transition programs; in its program assessment, however, Booz-Allen provided such an estimate: 10,845 additional jobs retained or created by the program's support of workers' efforts to obtain new jobs.

The study also looked at the cost-effectiveness of DOE's efforts to create new jobs as compared with the efforts of other Federal Agencies. From FY 1993 through FY 1997, DOE averaged \$10,500 per job created, which compares favorably with the cost experienced by similar Department of Commerce's Economic Development Administration (EDA) and DOD restructuring projects of \$12,999 to \$26,000. The study concluded that job creation was "undoubtedly a major factor in mitigating worker and economic disruptions in the community."

Retention of Skills. The study assessed the work force restructuring activities for their impact in maintaining the critical skills necessary to complete the Department's ongoing mission. It concluded that the voluntary separation programs resulted in the "amicable separation" of over 30,000 contractor employees by providing retraining (in lieu of future termination benefits) to key workers who made a commitment to remain at the site to prepare for site closure and transition, and by applying program benefits fairly and consistently to minimize work place violence and legal challenges.

Criteria Used to Provide Assistance. Booz-Allen reviewed and evaluated Office-issued and updated guidance for the work force restructuring and community transition programs. It concluded that the guidance was responsive to section 3161 requirements, and "that updates were appropriately handled to clarify issues and provide guidance in response to shifting policies."

General Accounting Office Assessment. In addition to the FY 1998 independent assessment of WT, GAO conducted an external assessment in January 1997 and an April 1999 follow-up to the 1997 assessment. GAO stated that work force restructuring had been conducted consistent with objectives of section 3161. While the Department has prepared work force restructuring plans to meet unique circumstances at each defense nuclear site, approved incentive programs are generally consistent across the complex, and do not exceed the average cost of separations of \$25,000 per person as stipulated in the initial guidance issued by WT.

The GAO report in 1997 concluded that Departmental oversight of contractor work force restructuring has improved since creation of WT, stating:

The limited data available for the early years of restructuring showed problems in retaining workers with critically needed skills Since these early efforts, [the Department of] Energy has taken steps to improve its ability to retain critical skills. The agency acknowledged in its report on the restructuring efforts in fiscal years 1993 and 1994 that it was essential for facilities to do more effective work force planning to identify the critical skills necessary to carry out the new mission. After [the Department of] Energy revised its guidance to emphasize work force planning, the facilities targeted voluntary separations to retain critical skills, and established controls to restrict the rehiring of employees taking voluntary separations.

The GAO report in 1999 concluded that "DOE's assistance to separated contractor workers is reasonably consistent with the types of benefits offered by other government and private employers." In reference to community transition, the report recommended that community assistance be better targeted.

In response, the Department reviewed its criteria for providing community transition assistance to ensure they are consistent with statutory direction provided by the Congress and regulations developed by the Department of Commerce. The Department also has applied greater rigor when considering economic need in awarding grants to impacted communities.

I.5 Mitigating Restructuring Impacts

The Department employs a number of measures to mitigate the impacts of work force restructuring, especially the impacts of involuntary separation. Several measures have been used successfully to limit the need for separations. These include: (1) placing at-risk workers in other positions, either directly or by training them for other jobs that may require new skills; (2) transferring workers to other sites with available positions created by changing missions or attrition; and (3) providing hiring preferences for involuntarily-separated workers. Additionally, sites can offer displaced workers medical benefits, relocation assistance, a variety of outplacement services, and educational assistance.

Placement. In FY 2000, 817 workers were internally placed without retraining, and 145 workers were placed with retraining, at an average cost of \$1,185. An additional 619 workers were transferred to other sites. Without these activities, separations would have increased by over 1,500 positions at a potential cost of just under \$31 million.

Medical Benefits. In 1992, then Secretary of Energy James Watkins directed that all prime contractor employees separated from DOE sites and not otherwise eligible for another medical program would be eligible for displaced worker medical benefits. Under this program, employees continue to participate in their former employer's medical program, but at a cost to the participant that increases over time. During the first year, the participant contributes the same amount as when he or she was employed by the Department. In the second year, the employee pays one-half the applicable Consolidated Omnibus Budget Reconciliation Act (COBRA) rate. In the third and subsequent years, the employee pays the full COBRA rate.

Medical benefits coverage was used by 603 employees in FY 2000 at a total cost of just over \$1.5 million, and at an average cost of \$2,504 per worker. Recipients of displaced worker medical benefits may have separated in prior years.

Relocation Assistance. The Department offered relocation assistance to separated prime contractor employees to help them relocate to jobs at other DOE sites where such costs are not normally reimbursed. In FY 2000, six employees took advantage of this benefit at a total cost of \$22,477, or \$3,746 per recipient.

Outplacement Services. All Department facilities included in this report have access to outplacement services to assist separated employees in finding new employment either within or outside the Department. Some sites use consultants or subcontractors to provide such services, while others use in-house contractor staff. Some centers are staffed with job counselors, state employment services personnel, and employee assistance counselors to help separated employees locate possible new employment, prepare resumes, and accommodate personal and family concerns resulting from their separations. Services often include automated job listings, skills assessments, workshops, resource libraries, clerical help, job fairs, and resume distribution. Just over 2,000 employees used outplacement services in FY 2000 at a total cost of almost \$1.4 million, averaging \$683 per employee.

Educational Assistance. Employees, whether voluntarily or involuntarily separated, were often eligible to receive financial assistance of up to \$10,000 per employee over a 2-year period. Some sites capped the total value of benefit packages, and employees receiving educational benefits received correspondingly smaller benefits in other areas. Educational assistance was used by 524 employees in FY 2000 at a cost of just over \$1.1 million, or \$2,124 per employee. Recipients of educational assistance benefits may have separated in prior years.

Preference-in-Hiring. Consistent with section 3161, all defense nuclear facility employees involuntarily separated under work force restructuring (and who meet certain qualifications for service at DOE sites) are eligible for preference-in-hiring elsewhere in the complex. At the time the legislation was enacted, there was reason to assume that positions would be available for employment in the Department's environmental restoration and waste management program. However, because of budget reductions, the projected growth in that program has not materialized. Consequently, the use of preference-in-hiring for involuntarily-separated defense nuclear employees to obtain employment at other facilities has been limited. More than 140 preference-eligible employees have been hired at DOE facilities in FY 2000. To facilitate reemployment in other programs, the Department developed the Jobs Opportunity Bulletin Board System, an electronic system to announce vacancies and to allow employees to post resumes for review by other contractors and programs.

I.6 Community Transition Overview

The Department's community transition program is designed to minimize the social and economic impacts of work force restructuring on communities hosting DOE facilities. The program encourages the affected communities to chart their own economic future through the creation of community reuse organizations (CROs), similar to the DOD's Local Reuse Authorities created to assist communities affected by military base closures.

The community transition program was initiated in 1993, with most job and business development activities starting in 1994 or later. Initial program guidance was developed in the spring and summer of 1993, shortly after the formation of the Department's Task Force on

Worker and Community Transition. In the intervening period, the program has evolved through an extensive process of stakeholder and public involvement. The *Draft Policy and Planning Guidance for Community Transition Activities* was published in the *Federal Register* on February 7, 1997, and updated in October 1999. The guidance clarifies the roles and responsibilities of program participants, resulting in increased accountability of Headquarters, field organizations, and CROs. The revised guidance also establishes evaluation criteria for funding decisions and program-specific performance measures.

Community transition activities in FY 2000 focused on moving affected communities toward independence and away from primary reliance on funding by the Department. WT is also encouraging the communities to work cooperatively with organized labor on employment and training opportunities for union members affected by downsizing.

Current Funding Activities. Since 1993, approximately \$250 million have been committed complex-wide to community transition activities, with \$204 million actually being spent as of September 30, 2000 (Exhibit I.11). To date, 14 communities have received community transition assistance.

Job Creation. From FY 1993 through September 30, 2000, the community transition program has helped communities create or retain 24,811 jobs at an average cost of \$8,229 per position. By the end of FY 2003, community assistance funding provided by the Department is expected to create or retain a total of 46,516 jobs.

Job Creation Benchmark. DOE's community transition program is comparable to DOD's base closure activities. Both Departments face the challenge of stimulating local growth to replace jobs lost as the result of site closure or downsizing. GAO's most recent study of 60 DOD base closures in 1988, 1991, and 1993 shows that over \$30,000 of federal money have been spent for each job created.¹⁰ DOE's experience of creating one job at just \$8,229 per job compares favorably with other Federal and State Agencies.

A performance evaluation conducted by Rutgers University for the EDA defense adjustment program reported a cost of \$12,000 per job created for defense construction projects and \$19,400 per job created for technical assistance projects.¹¹

¹⁰ *Military Bases: Update of the Status of Bases Closed in 1988, 1991, and 1993*, U.S. General Accounting Office, August 1996.

¹¹ *Economic Development Administration, U.S. Department of Commerce: Defense Adjustment Program Performance Evaluation Final Report*, Rutgers University, et al., November 1997. A research team led by Rutgers University evaluated 187 defense adjustment program grants financed by EDA. The reviewers measured jobs created, jobs retained, and the amount of public sector funds leveraged.

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Site	Total DOE Funds Committed	Funds Spent	Jobs Created or Retained (Reported)	Cost Per Job Created	Jobs Created or Retained by 2003 (Est.)
Albuquerque	\$750,000	\$286,000	0	\$0	0
Carlsbad	\$2,700,000	\$2,700,000	600	\$4,500	1,000
Fernald	\$736,921	\$444,632	0	\$0	1,150
Hanford	\$24,284,742	\$19,787,633	1,664	\$11,892	4,505
Idaho	\$29,875,000	\$19,158,966	4,428	\$4,327	8,154
Los Alamos	\$11,857,023	\$8,854,523	571	\$15,507	3,088
Mound	\$19,700,000	\$12,758,700	330	\$38,663	584
Nevada	\$14,288,417	\$13,834,725	1,839	\$7,523	3,174
Oak Ridge	\$56,002,000	\$54,081,484	4,766	\$11,347	6,279
Paducah	\$8,400,000	\$4,687,002	164	\$28,579	242
Pinellas	\$18,217,300	\$18,167,200	2,847	\$6,381	3,560
Portsmouth	\$10,500,000	\$6,331,553	381	\$16,618	894
Rocky Flats ¹	\$400,000	\$400,000	0	\$0	0
Savannah River	\$47,622,625	\$42,671,628	7,221	\$5,909	13,886
Totals	\$245,344,028	\$204,164,046	24,811	\$8,229	46,516
¹ The original CRO at Rocky Flats, the Rocky Flats Local Impacts Initiative (RFLII), was sunsetted in December 1999. A total of \$11 million had been committed to RFLII and \$20 million to the National Conversion Pilot Project for a total of \$31 million. A total of 1,825 jobs had been created through the CROs' efforts.					

Exhibit I.11 Summary of Community Transition Funding and Job Creation Statistics, Fiscal Years 1993-2000

The *Policy and Planning Guidance for Community Transition Activities* establishes an evaluation criterion for community proposals to create at least one job for each \$10,000 to \$25,000 in federal funding received.

Community Transition Initiatives. Economic development is a long-term process that requires flexible approaches and multiple strategies to achieve success. To improve the success of the program, WT has undertaken several initiatives that will provide ideas and assistance to the communities.

- C **Interagency Agreements.** WT is entering into the sixth year of an interagency agreement with EDA for third-party review and approval of all community transition proposals submitted to DOE. EDA has over 30 years of economic

development experience working with all levels of government and the private sector. EDA's review of proposed community transition plans has improved the quality and consistency of the proposals. Over \$100 million in projects have been awarded with EDA's support, and that support will increase the probability of successful outcomes.

- C ***Program Assessments.*** WT conducts program assessments to ensure that Department field organizations meet the responsibilities of overall program direction and accountability in their use of funds for local economic development. Program assessments validate program execution, document successes that can be shared with other locations, identify areas for improvement, and improve communication and understanding among program participants.

- C ***Department Guidance on Protection of Workers Using Leased Facilities.*** WT led efforts to provide Departmental guidance aimed at ensuring the protection of workers that use leased facilities. Leasing facilities to commercial firms can support many program goals including: (1) accelerated cleanup, (2) facility reuse, (3) work force transition, and (4) partnering with local communities and industry in an overall effort to reduce Departmental risks and costs of cleanup. The guidance establishes levels of protection by grading the risks associated with leasing DOE facilities, thereby ensuring leasing conditions that protect workers from both radiological and nonradiological hazards. The guidance was issued on August 5, 1999.

I.7 Lessons Learned

The FY 2000 work force restructuring experience illustrates important lessons learned that will be conducive to improving the implementation of work force restructuring.

- C ***Ongoing Work Force Restructuring Activities.*** To accommodate the need for continued restructuring, several sites, including Fernald and Mound, have developed a new approach in their work force restructuring plans to guide their current restructuring efforts. Both sites are currently undergoing site cleanup under defined environmental management, transition, and closure strategies. DOE-Ohio developed a work force restructuring plan that defined the path to closure, including project schedules with contractor projections of the numbers and skills of workers needed. The plan tasked the site contractor to develop fewer, costly voluntary separation programs, using work force planning as the foundation to help workers transition to other opportunities when cleanup is completed.

- C ***Early Closure Strategy.*** To achieve its mission of completing closure by 2006, Rocky Flats surveyed its employees, focus groups, and other DOE closure sites to learn how to retain its skilled work force to complete closure activities. Based on this information exchange, Rocky Flats learned that employees may be willing to remain onsite to complete closure activities if they are confident of future employment opportunities or are compensated for their decision to remain on the job. The site's contractor, Kaiser-Hill, responded to these findings by developing initiatives that more appropriately fit a closure environment than an ongoing operation including, providing employees with accurate information for their expected tenure on the job, additional benefits, and monetary incentives.
- C ***Stakeholder Input and Communications Strategies.*** Consultation with local, state, and national stakeholders is an essential element of the work force restructuring process. Special attention is needed to communicate with the existing work force, their representatives, and local government. Frequent, candid, and reliable communications about the need for work force restructuring can pave the way for smooth interactions with stakeholders and avoid an environment of distrust.

Early in Kansas City's work force restructuring efforts, initial communications with all parties involved were conducted to explain the dynamics causing the downsizing. It was important to keep workers informed throughout the funding allocation process. Although many workers were not pleased with the need to reduce positions at their facility, ongoing information about the restructuring kept all parties aware and prepared for eventual outcomes.

- C ***Worker Transitions.*** To lessen the impact of worker separations on a site often takes negotiations with many of the affected parties. In FY 2000, Portsmouth was faced with work force separations nearly three times as great as in the previous year. Increased communications were necessary between the United States Enrichment Corporation (USEC), the site contractor, Bechtel Jacobs Company (BJC), labor unions, and DOE's Headquarters and Field Offices to transfer some separated workers to other available positions onsite. DOE's WT approved the use of funds available under the USEC/DOE agreement to defray a portion of training costs for operator positions to allow as many as 15 Protective Force employees, who would otherwise have been separated, remain employed. A labor agreement was also ratified with the Paper, Allied-Industrial, Chemical, and Energy Workers International Union to transition approximately 50 displaced USEC workers to cleanup positions with BJC.

I.8 Emerging Issues

Several emerging issues are evident as a result of the FY 2000 activities:

- C ***Future of Work Force Restructuring.*** Considerable work force restructuring will continue across the DOE complex over the next several years. WT plans to cooperate with the Offices of Environmental Management and Nuclear Energy, Science and Technology to meet accelerated closure schedules at Rocky Flats in Colorado and Mound and Fernald in Ohio. Other work force restructuring efforts are anticipated at Hanford, Idaho, Nevada, and Oak Ridge. As in the past, with reductions in jobs, there will be a direct correlation with an adverse economic impact on communities collocated with DOE sites. The responsibility of offsetting these impacts will be left to WT with its budget under section 3161 authority.
- C ***Work Force Planning.*** The primary objective of work force planning and restructuring is to retain and recruit, as necessary, employees with the skills, knowledge, and abilities necessary to effectively and safely meet assigned and future missions within budget constraints. WT is working closely with Defense Programs/National Nuclear Security Administration on work force management strategies to assure recruitment, retention, and development of critical skills necessary to assure the Department's ability to meet strategic stockpile requirements at national laboratories and weapons production facilities. Further, WT plans to continue to mitigate the impact of changes in the work force at defense nuclear facilities that may result from changes in funding, new contracting mechanisms, or adjustments in required skill mixes as a result of changing mission requirements.
- C ***Outsourcing.*** Anticipated conflicts with operating and building trade unions over outsourcing or other changes in contracting will necessitate WT's development of labor policies for bargaining unit workers for consistent application of Project Labor Agreements. Secretarial approval of these policies will be required.
- C ***Limitations on Community Transition Funding.*** In FY 2000, Congressional budget reductions and higher than anticipated work force restructuring costs at Oak Ridge, Portsmouth, and Paducah required deferral of planned community assistance at Mound, Ohio, Oak Ridge, Tennessee, Hanford, Washington, and the Nevada Test Site.

- C ***Placement of the Portsmouth Gaseous Diffusion Plant in Standby Status.*** The United States Enrichment Corporation's decision to cease enrichment operations in FY 2001 at Portsmouth, Ohio, will impact the plant's work force as well as the surrounding community. Workers will be offered training and outplacement services conducive to effective career transition on separation in exchange for agreements to remain onsite for the period that their skills are still needed to winterize and place the plant in standby status.

- C ***Community Transition Actions.*** The Department plans to fund CROs and their programs and projects to foster economic development within communities impacted by work force restructuring throughout FY 2001 and beyond. One goal is the reindustrialization of the Oak Ridge complex, which includes the reuse of the East Tennessee Technology Park property and equipment, acceleration of facility cleanup, development of nearby land to permit the recruitment of new industries to the region, and economic diversification of the surrounding communities. Another goal is to establish Mound as an economically-viable, privately-owned industry and technology park by 2005. WT plans to continue the transfer of Mound to the Miamisburg Mound Community Improvement Corporation, the local CRO, to mitigate the impacts of closure of the site.

- C ***Labor Relations.*** Throughout the expected downsizing anticipated in FY 2001, WT will need to maintain dialogue with field offices, contractors, and labor organizations representing contractor employees at DOE facilities to promote productive use of skilled workers and develop policies to mitigate the impacts of work force transition activities. WT will also oversee implementation of labor standards and wage and benefit determinations to ensure compliance with federal law and regulations, and to advise the Secretary of potential labor disputes that could impact the operations at DOE facilities.

I.9 Future Mission of the Office of Worker and Community Transition

The Worker and Community Transition Program mission is evolving as the Department confronts new challenges in managing its contractor work force and dealing with facilities that are excess to the future needs of DOE. Work force reductions associated with budget changes will continue and their complexity will increase as programs have few, if any, excess skills for critical mission requirements.

WT is also working with program and field offices, contractors, workers, and community leaders to develop work force management and community assistance strategies that will facilitate the early closure of Fernald, Mound, Portsmouth, and Rocky Flats. Addressing worker transition issues with new business methods, including the use of privatization and outsourcing, is an

ongoing and growing program responsibility. Reindustrialization efforts involving the transition of excess facilities at certain DOE sites (e.g., Mound, Oak Ridge) for use in commercial enterprises will be an area of increasing focus for the program in the coming years.